



Expressed in miles, the distance from Washington, D. C., to _____ is a long way. But, expressed as a relationship between actions of the Government and the welfare of the people of this region, the two are very close indeed. During the last four years, many of us have fully realized for the first time that the welfare of all groups and all individuals in the United States is interdependent. We know now that the residents of California and Texas and Michigan and Maine, and the other states, are all affected, directly or indirectly, by what happens to the others. And we know that they are all affected by what is being done in the national Capital to fulfill the purposes of President Roosevelt's great recovery program.

The Agricultural Adjustment Act, of which I wish to speak today, is what its name implies, an effort to adjust American agriculture to present-day conditions. The necessity of adjustment implies that there has been maladjustment -- and such is the case, as millions of farmers scattered over the country can testify. Fifteen years ago, during the World War, the farmers were being urged to expand their production of food products. They responded, and because of this expansion they have been in trouble most of the time since. Their troubles have been intensified since 1929.

The problem that the adjustment program has been drawn to solve can be reduced to simple terms: Farmers are producing and have been producing more farm goods than the existing market, in the United States and in the world, can buy and pay for at a price that enables the farmers to stay in business. While the European need for American farm goods and the European willingness and ability to pay for them have been decreasing sharply, production has virtually been maintained.

The surpluses have accumulated -- at home and abroad -- and forced down the price to the farmer.

At the same time the farmer's fixed charges -- taxes, interest and debts -- have remained about the same. Thus the farmer has been placed at a tremendous disadvantage in the exchange of agricultural for non-agricultural goods. His income has decreased and he has not been able to buy the goods and services the cities have to sell. The result has been that millions of city men have been without jobs.

Exports of American farm goods in February, 1933, were only 71 per cent of the average exports for the same month in the five years before the World War -- 1909 to 1914. In 1929 American farmers exported 12.2 per cent of their total production; in 1932 less than 7 per cent.

It is these problems of over-production, surpluses, low prices, and disparity in purchasing power that the emergency Adjustment Act is designed to meet. The Act is intended to relieve the national economic emergency by putting the farmer "back on his feet" and thus helping relieve the urban as well as the rural population.

To accomplish its purpose, the Act gives the Secretary of Agriculture certain powers. First, he is authorized to help farmers curb overproduction. To do this, he enters into agreements with them, in which they promise to reduce their production and he agrees to compensate them for so doing.

The Act specifies certain commodities as "basic." They are wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products. These commodities are listed as "basic" because when their prices change, they strongly influence the prices of other agricultural products. They are listed as basic also because there is an exportable surplus of each one except dairy products.

The world price received for the exportable surplus determines the domestic price of any commodity, under ordinary conditions.

The Secretary is empowered to decide what method of adjusting production should be applied to a given commodity, when it shall be applied, and how much the compensating payments to farmers shall be. Compensating payments are made only to farmers who adjust their production to balance the demand for their commodity. This limits the extra benefits of the plan to farmers who cooperate in it, and prevents others from sharing in these extra benefits. It is the inducement offered to farmers to join in the plan. It takes the place of any coercion or compulsion.

Previous plans have sought only to raise the market prices of farm products. They have not distinguished between cooperators and non-cooperators, and they have encouraged farmers to increase their production in order to get as much as possible of the increased market price. They have not struck at the root of the problem -- overproduction.

Farmers who participate in this program, and those who do not participate, sell their products at the same market price. Those who do participate then receive an additional payment. The others do not.

The maximum amount of the payments is limited in the Act. They cannot be more than enough to make the price that the farmer receives for the domestically consumed portion of his product equal in buying value to the average price he received during the five years before the World War. This is the "pre-war price parity" referred to in the Act. It does not necessarily mean a price the same as it was before the War, but a price that will buy as much manufactured goods as the price received for the same volume of agricultural goods before the War would have bought.

The Act provides that the payments may be made from the proceeds of a processing tax applied to the basic commodities as they pass through the manufacturing channels. Here, again, the Secretary of Agriculture is given authority to fix and levy these taxes. Usually this is done after hearings at which producers, processors, distributors and consumers make their recommendations as to whether the tax shall be applied to a given commodity, how much it shall be, and how and when it shall be collected. The proceeds of any such tax are collected by the Bureau of Internal Revenue, paid to the United States Treasury, and distributed in adjustment payments under the supervision of the Secretary of Agriculture. The Secretary is given the power to increase or decrease the tax, refund it or discontinue it, if he finds that it is interfering with the purpose of the Act and with the normal distribution of the commodity.

Another provision of the Act permits the Secretary to enter into marketing agreements with processors and distributors, with the purpose of increasing prices to growers and eliminating destructive competition and unfair trade practices. Marketing agreements covering the sale of milk in a number of cities have already been placed in effect. Other agreements cover the marketing of rice, tobacco, tree fruits, grapes and walnuts. Still other marketing agreements are on the way to completion. With reference to some commodities, these agreements make possible a control of the flow of supply to market, and thus an indirect control of production, through the pro-rating of shipments or even the allotting of acreage.

This is a brief outline of the operation of the Agricultural Adjustment Act. It is revolutionary, in a sense, and yet it is one of the most logical things which has come to pass in the history of the United States. For more than a century we have followed the policy of economic "laissez faire" -- of letting

things work themselves out. But it became evident at last that that policy would not work any more. The swings of the business cycle had become so violent and so extreme that the old power of automatic recovery did not manifest itself. To deal with the emergency which culminated with the bank closings last March, President Roosevelt established a new policy -- one which is designed to make us the masters of blind economic forces, rather than to continue in abject dependence on them, buffeted this way and that.

I shall not attempt to review in detail what has been done under the Act. Production adjustment programs for cotton, tobacco, wheat, corn and hogs have already been announced or put into effect. Programs for sugar, rice and special crops are in process of completion. Millions of dollars have begun to flow into the hands of the country's farmers. But the task has scarcely been begun, and prices of farm products are still distressingly low.

Correcting the ills in the agricultural industry is not an overnight task. Fundamentally farming is a long-time business, dealing with seasons, weather conditions and a host of other factors which are beyond human control. Adjustments, to have any lasting effect, must be made with a long-time view, in keeping with the inherent nature of agriculture itself.

A little while ago I mentioned that farmers who participate in programs to reduce production are compensated and that these payments may be derived from the proceeds of a processing tax applied to the basic commodities as they pass through manufacturing channels. The public at large is naturally interested in knowing who pays these processing taxes. The answer is this -- it all depends on the commodity. In some instances the tax is absorbed by the manufacturer and in other instances a portion or all of it is passed along to the consumer.

To date, processing taxes have been levied on cotton, wheat and tobacco, and have been proclaimed on hogs, dairy products and corn. All of these agricultural commodities are sorely burdened with surpluses and excess production.

The processing tax on cotton is 4.2 cents per pound of the net weight of raw cotton going into the manufactured commodity. In a number of instances this tax, or a portion of it, has been passed on to the consumer. The processing tax on wheat is 30 cents a bushel, and, like cotton, the whole tax or a portion of it has been passed on to the consumer of flour or bread. The processing tax on tobacco varies with the type of tobacco. Cigar-leaf tobacco carries a tax of 3 cents a pound, while flue-cured tobacco, mostly used for cigarettes, carries a tax of 4.2 cents a pound. Burley tobacco carries a tax of 2 cents a pound. In the case of all tobaccos, the processing taxes are being absorbed by the manufacturers.

What do the processing taxes mean in increased costs of the things consumers buy? Very little, even if the entire amount of the tax is passed on to the consumer. On a sheet, which usually contains a little less than two pounds of cotton, the tax amounts to just under 8 cents. On ordinary work shirts, the tax is about $3\frac{1}{2}$ cents. When you buy cotton goods and you notice that the prices are increased, remember that there are other reasons for this besides the processing tax. Cotton mills and distributors are paying higher wages. Operating costs and other costs have increased, and these are added on to the selling price. You can judge for yourself the real facts.

And so we go all down the list of agricultural commodities and find that the processing tax actually adds but little to the cost to the consumer.

Take the case of wheat. The processing tax on this commodity is 30 cents a bushel. Bread prices increased from 6.4 cents a pound in February to 7.9 cents

on September 26. This 1.5-cent increase in the cost of a pound of bread includes a half cent for the processing tax and a cent for increases in other costs. While the consumer has had to pay one-half cent more for a pound of bread because of the wheat processing tax, what does it mean to the farmer? It means millions of dollars increased income for hard-pressed wheat farming families -- dollars to spend for shoes, implements, hats, lumber. It means a chance to set wheat growing in this country on a sound basis, so that wheat farming families may continue to be customers for city industry.

The Agricultural Adjustment Act is one phase of the national recovery program which is directed at increasing the purchasing power of all groups; at lifting the incomes both of farmers and of city workers. Unemployed city workers make poor consumers for farmers' products and impoverished, overworked farmers can buy little of the city workers' goods.

Without doubt the success of the recovery program means much to the future welfare of every man, woman and child in the United States. This program cannot succeed unless it has the loyal backing of the people, not only as a group but as individuals; not only in its general outlines but in each particular.

And please do not forget that in supporting the program, farm families are helping city folk and city folk are helping farmers. What is perhaps most important of all -- by supporting the program you are all doing your part to cement a new foundation under this old Republic of ours.

in the year 1870, the population of the city of New York was 2,297,274. This was a great increase over the population of 1,814,369 in 1860. The increase was due to a number of causes. First, the city was the center of the manufacturing industry of the country. Second, it was the center of the commercial and financial activity of the country. Third, it was the center of the educational and scientific activity of the country. Fourth, it was the center of the cultural and artistic activity of the country. Fifth, it was the center of the political and social activity of the country. Sixth, it was the center of the religious activity of the country. Seventh, it was the center of the military activity of the country. Eighth, it was the center of the naval activity of the country. Ninth, it was the center of the air activity of the country. Tenth, it was the center of the space activity of the country. Eleventh, it was the center of the atomic activity of the country. Twelfth, it was the center of the molecular activity of the country. Thirteenth, it was the center of the cellular activity of the country. Fourteenth, it was the center of the tissue activity of the country. Fifteenth, it was the center of the organ activity of the country. Sixteenth, it was the center of the system activity of the country. Seventeenth, it was the center of the organism activity of the country. Eighteenth, it was the center of the population activity of the country. Nineteenth, it was the center of the world activity of the country. Twentieth, it was the center of the universe activity of the country.